

Message Text

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ACTION EUR-25

INFO OCT-01 IO-15 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 AGR-20 L-03 ARA-16

SS-20 NSC-10 DRC-01 /178 W

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R 121805Z OCT 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 5868

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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USMISSION GENEVA

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LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 5863

PASS AGRICULTURE

PASS TREASURY

E.O. 11652 NA

TAGS: EEC, ETRD, OVIP (MORGAN, EDWARD)

SUBJ: US-COMMUNITY WINE TRADE: VISIT OF TREASURY

ASSISTANT SECRETARY MORGAN

REF: (A) EC BRUSSELS 5579; (B) STATE 194007

1. SUMMARY. TREASURY ASSISTANT SECRETARY MORGAN AND
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MEMBERS OF HIS PARTY HAVE DISCUSSED WITH EC COMMISSION

OFFICIALS VARIOUS ASPECTS OF GOVERNMENTAL ACTIONS AFFECTING US-EC WINE TRADE INCLUDING THE EC CERTIFICATE REGULATION POSSIBLE US IMPORT CERTIFICATE REQUIREMENTS AND BOTTLE SIZES. THE COMMISSION OFFICIALS OUTLINED A SUGGESTION FOR TEMPORARY EXEMPTION OF US WINE FROM THE COMMUNITY'S IMPORT CERTIFICATE REQUIREMENTS. END SUMMARY.

2. ON OCTOBER 11 TREASURY ASSISTANT SECRETARY EDWARD MORGAN, DEPUTY ASSISTANT SECRETARY BRENT MOODY, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS DIRECTOR REX DAVIS AND MISSION OFFICERS DISCUSSED WITH EC COMMISSION OFFICIALS PROBLEMS INVOLVING US IMPORTS AND EXPORTS OF WINE. LESLIE FIELDING, EC COMMISSION DIRECTOR FOR NORTH AMERICA, LED THE COMMISSION SIDE WHICH ALSO INCLUDED JACQUES GOURDON, CHIEF OF THE COMMISSION'S WINE DIVISION, AND OTHER OFFICIALS FROM THE DIRECTORATES GENERAL FOR AGRICULTURE AND EXTERNAL RELATIONS. BOTH SIDES CONSIDERED THE MEETING AN INFORMAL EXCHANGE OF VIEWS.

3. ASSISTANT SECRETARY MORGAN OUTLINED THE POLITICAL PROBLEMS WHICH WOULD BE CAUSED BY EC REGULATIONS THAT WOULD IN EFFECT PREVENT WINE IMPORTS FROM THE US. HE ALSO DESCRIBED THE CONSUMER AND PRODUCER INFLUENCES WHICH ARE LEADING TOWARD A US CERTIFICATE REQUIREMENT THAT WOULD AFFECT BOTH DOMESTIC AND IMPORTED WINES.

4. FIELDING ACKNOWLEDGED THE DIFFICULTY WHICH THE EC WINE CERTIFICATE POSED FOR US EXPORTS, THOUGH HE DESCRIBED THIS AS MAINLY A QUALITY PROBLEM. NEITHER FIELDING NOR OTHER MEMBERS OF THE EC SIDE VOLUNTEERED DURING THE OPEN MEETING ANY COMMENT ON THE NEW US PROCEDURE ALLOWING BATF TO CERTIFY US WINES FOR EXPORT TO THE COMMUNITY (REFTEL A). (PRIVATELY THEY TOLD US THAT THEY WERE NOT YET IN A POSITION TO COMMENT.) HOWEVER, FIELDING SKETCHED OUT ON A PERSONAL BASIS AND IN SOME DETAIL THEIR THINKING ABOUT A POSSIBLE TEMPORARY EXEMPTION OF US WINES FROM THE CERTIFICATE PROCEDURE.

5. FIELDING AND GOURDON SUGGESTED THAT THEY BELIEVED THE BEST APPROACH WOULD BE TO ISSUE A COMMISSION LIMITED OFFICIAL USE

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REGULATION, THEREBY AVOIDING ANY EC COUNCIL DISCUSSION ON "BASIC PRINCIPLES", WHICH COULD EASILY BACKFIRE. THE COMMISSION REGULATION WOULD STATE THAT COUNTRIES WHICH WERE SIGNIFICANT PRODUCERS OF WINE, E.G., WITH AN ANNUAL PRODUCTION OF OVER 10 MILLION HECTOLITERS AND WHICH WERE RELATIVELY SMALL EXPORTERS TO THE COMMUNITY WOULD FOR A PERIOD OF ONE OR, PERHAPS, TWO YEARS NOT BE REQUIRED TO FURNISH CERTIFICATES TO

ACCOMPANY THEIR EXPORTS. (NO QUANTATIVE AMOUNT WOULD BE LISTED TO DEFINE "SMALL EXPORTERS".) THE REGULATION WOULD THEN LIST THE COUNTRIES TO WHICH THIS DEFINITION APPLIED: THE USSR, SPAIN, ARGENTINA, AND THE US. THE EXEMPTION WOULD NOT BE NECESSARY, HOWEVER, FOR SPAIN AND ARGENTINA SINCE BOTH HAVE ASSURED THE COMMISSION THAT THEY HAVE NO DIFFICULTY IN FURNISHING A CERTIFICATE. THE RATIONALE FOR EXEMPTION OF COUNTRIES MEETING THESE TWO CRITERIA WOULD BE THAT BIG PRODUCERS WOULD BE UNLIKELY TO BE MERELY TRANSHIPMENT POINTS (SUCH A PROBLEM EXISTS FOR WINES FROM, SAY, ICELAND OR PAKISTAN). THE REASON FOR EXEMPTION OF SMALL EXPORTERS WOULD BE THAT THE ADMINISTRATIVE BURDEN TO THEM OF ESTABLISHING A CERTIFICATE PROCEDURE WOULD BE MORE ONEROUS THAN THE TRADE WAS WORTH.

5. FIELDING STATED THAT THE PROBLEM WAS TO ARRANGE AN EXEMPTION FOR THE US WHICH COULD BE IMPLEMENTED WITHOUT MEMBER STATE "DISCUSSION OF GENERAL PRINCIPLES" --LIKELY TO BE NEGATIVE--WHICH WOULD NOT APPEAR BLATANTLY DISCRIMINATORY AND WHICH COULD BE CLOAKED UNDER THE GUISE OF A REASONABLE INTERPRETATION OF THE INTENT OF THE COMMUNITY'S WINE REGULATION. THESE STIPULATIONS PUT PRACTICAL LIMITS ON WHAT COULD BE DONE, BUT HE BELIEVED SOMETHING WITHIN THESE LIMITS WAS FEASIBLE. HE EMPHASIZED THAT HE COULD NOT GUARANTEE SUCH A REGULATION, BUT THAT THE COMMISSION WAS WILLING TO ATTEMPT ONE IF THE US WOULD FIND THIS HELPFUL. FIELDING SAID THAT THIS SUGGESTION WAS THE BEST WHICH HAD OCCURRED TO THE COMMISSION STAFF BUT THAT IT WOULD BE PLEASED TO RECEIVE ANY OTHER US SUGGESTIONS.

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6. WHEN QUESTIONED BY ASSISTANT SECRETARY MORGAN, FIELDING ADMITTED THAT HIS SUGGESTION WOULD NOT SOLVE THE LONG-TERM PROBLEM BUT IT WOULD GIVE US AT LEAST ANOTHER YEAR TO SEARCH FOR A SOLUTION. FIELDING REQUESTED AN INFORMAL US REACTION TO THIS PROPOSAL AND THE US SIDE AGREED TO ATTEMPT TO FURNISH HIM ONE AS SOON AS POSSIBLE.

7. MR. DAVIS EXPLAINED THAT BATF WAS NOW CONSIDERING A POSSIBLE CERTIFICATE REQUIREMENT FOR WINES SOLD IN THE US. THE CERTIFICATE WOULD BE REQUIRED OF DOMESTIC AND IMPORTED WINES. IT WOULD COVER THE INGREDIENTS OF THE WINE AND WOULD SERVE AS AN AFFIDAVIT FOR THE CORRECTNESS OF DESCRIPTIONS APPEARING ON THE LABEL. HE STATED THAT THE MOVEMENT TO A US CERTIFICATE WAS

PROMPTED ESSENTIALLY BY THE CONSUMER MOVEMENT. OTHER
FOOD AND BEVERAGE PRODUCTS ALREADY HAVE MUCH MORE
STRINGENT REQUIREMENTS.

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INFO AMEMBASSY BONN

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8. DURING LUNCH THE US SIDE EXPLAINED THAT THE
TREASURY DEPARTMENT EXPECTS TO BE PETITIONED SOON TO
HOLD HEARINGS TO DEFINE AND LIMIT BOTTLE SIZES IN THE
US WINE TRADE AND THAT WE UNDERSTOOD THAT DISCUSSIONS
ALONG THESE LINES WERE PROCEEDING AMONG EUROPEAN WINE
PRODUCERS. THE COMMUNITY OFFICIALS CONFIRMED THAT
EUROPEAN WINE PRODUCERS HAVE BEEN UNABLE TO AGREE ON
COMMON EC BOTTLE SIZES. WE STATED THAT WE
BELIEVED IT WOULD BE HELPFUL FOR THE US GOVERNMENT AND

THE COMMISSION TO DISCUSS THIS SUBJECT AT GREATER LENGTH
IN THE NEAR FUTURE SINCE INCOMPATIBLE BOTTLE SIZES
COULD RESTRICT INTERNATIONAL TRADE.
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9. THE US SIDE QUESTIONED WHETHER US WINE MADE FROM
LABRUSCA AND HYBRID GRAPES WOULD BE ELIGIBLE FOR ENTRY
INTO THE COMMUNITY. COMMUNITY OFFICIALS
WERE UNABLE TO ANSWER THIS QUESTION THOUGH GOURDON
EXPRESSED THE PERSONAL OPINION THAT EC RULES DID NOT
PREVENT THE ENTRY OF SUCH WINE. THIS ISSUE WILL THEREFORE
HAVE TO BE LEFT FOR LATER CLARIFICATION.

10. ACTION REQUESTED: THAT THE DEPARTMENT IN
COOPERATION WITH BATF INSTRUCT THE MISSION ON SOME TYPE
OF "INFORMAL" RESPONSE TO FIELDING'S OUTLINE FOR
TEMPORARY EXEMPTION OF US WINE FROM THE COMMUNITY
CERTIFICATE PROCEDURE.

11. THIS CABLE HAS BEEN REVIEWED BY BATF DIRECTOR DAVIS.
GREENWALD

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